



# Department of Justice

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## **FLORIDA MAN PLEADS GUILTY IN MORTGAGE FRAUD SCHEME**

### **Real Estate Developer Sold Properties in Alabama, Florida, and Tennessee Using Sham Down Payments**

**MONTGOMERY, ALABAMA** — Debra K. Mack, Special Agent in Charge of the Mobile Division of the Federal Bureau of Investigation, and Leura G. Canary, United States Attorney for the Middle District of Alabama, announced that on June 16, 2008, Robert B. Guest, Jr., age 44 (a resident of Palm Coast, Florida, who resided in Orlando at the time of the events in the case) pled guilty in U.S. District Court before United States Magistrate Judge Wallace Capel, Jr., to a one-count felony information charging him with conspiracy to make false statements to financial institutions, in violation of Title 18, United States Code, Section 371.

According to the plea agreement and information, beginning in the Fall of 2002, Guest began engaging in the business of buying and selling houses. Guest would purchase a house in an area of low property values, at first in Birmingham, Alabama, and, beginning in 2005, in Montgomery, Alabama. Guest also bought and sold houses in Orange and Seminole Counties, Florida, and Nashville, Tennessee.

Prior to buying a house, Guest arranged to resell the house to another individual (the "Investor"). Guest's written contract with the Investor would provide that Guest would sell the property to the Investor for a price substantially in excess of the price Guest had paid for it. The

properties were to be rented to “Section 8” tenants, and the rent payments were supposed to provide the Investor with enough funds to cover the amount of the mortgage, plus a profit.

The Investors financed the purchase through a mortgage loan from either a bank or a non-bank mortgage lender. The Investor would apply for an “80/20” mortgage loan, which meant that the Investor was supposed to be paying 20% of the purchase price, with the lender financing 80%. The Investor and Guest had an unwritten side deal whereby Guest would immediately refund the amount of the down payment to the Investor, typically within 24 hours. Therefore, the economic reality of the transactions was that the Investor was buying the house for the amount of the loan, and the lender was providing 100% financing instead of 80%. Both the loan application submitted by the Investor and the closing statement signed by Guest and the Investor represented that the Investor was putting 20% down without disclosing the side deal.

Guest sold more than 200 houses pursuant to this scheme, approximately 100 of which were in Montgomery. The lenders for most of the Montgomery houses were Countrywide Bank, FSB and its affiliate, Countrywide Home Loans, Inc. Countrywide is expected to suffer a loss of more than \$2 million as a result of these loans.

When he is sentenced on September 18, 2008, by United States District Judge Myron H. Thompson, Guest faces a statutory maximum penalty of 5 years imprisonment, an order of restitution, and a fine of up to \$250,000 or, if greater, twice the loss to victims. Guest was released pending sentencing on a \$25,000 unsecured bond, subject to the condition of electronic monitoring.

Mack stated, “Mortgage fraud adversely affects the nation's economy, victimizing both lenders and the community at large. The FBI is and will continue to aggressively investigate mortgage fraud schemes.”

Canary stated, “The guilty plea in this case shows that mortgage fraud is a problem not limited to areas that were part of the real estate ‘bubble.’ The Department of Justice is committed to investigating and prosecuting mortgage fraud wherever it occurs.”

The case was investigated by the Federal Bureau of Investigation and is being prosecuted by Assistant U.S. Attorney Andrew O. Schiff.